1983-84 Annual Report Manitoba Lotteries Foundation

85-5054/

1983-84
Manitoba Lotteries Foundation

Manitoba

Minister of
Culture, Heritage
and Recreation

Winnipeg, Manitoba, CANADA
R3C 0V8

Her Honour
The Honourable Pearl McGonigal
Lieutenant-Governor of Manitoba
Room 235
Legislative Building
Winnipeg, Manitoba
R3C 0V8

Your Honour:

I have the honour to submit the Annual Report of the Manitoba Lotteries Foundation for the fiscal period ending March 31, 1984.

Respectfully submitted,

HONOURABLE EUGENE KOSTYRA
Minister responsible for Lotteries

MANITOBA LOTTERIES FOUNDATION

301 - 207 DONALD STREET, WINNIPEG, MANITOBA R3C 1M5
TELEPHONE: (204) 945-3524

The Honourable Eugene Kostyra
Minister responsible for Lotteries
Room 358
Legislative Building
Winnipeg, Manitoba
R3C 0V8

Sir:

I have the honour to transmit herewith the Annual Report of the Manitoba Lotteries Foundation for the fiscal year ended March 31, 1984.

Respectfully submitted,

Lois Toms

LOIS TOMS
Chairperson
Board of Directors

Chairperson's Report

Manitoba Lotteries Foundation
Board of Directors
Annual Report
1983-84

The year ending March 31, 1984 was the first full year of operation of the Manitoba Lotteries Foundation. The Foundation, which was established by the Manitoba Lotteries Foundation Act in March, 1983, is the crown agency responsible for the conduct and management of lottery schemes in the province. In addition, the Foundation is the authority to which eligible charitable or religious organizations may apply to be licensed to conduct their own lottery schemes. The affairs of the Foundation are administered by a Board of Directors comprised of ten members.

During the course of the year, the lotteries industry in Manitoba was re-structured significantly. Under the direction of the government, the Foundation developed new policies geared to meet the specific goals of ensuring fair games, maximizing profits, and providing an equitable distribution of revenues to charitable groups throughout the province.

Consistent with the new policies and goals, the Foundation assumed the full responsibility for the distribution of lottery tickets and the operation of casinos in Manitoba on January 1, 1984. Shortly thereafter, the Foundation revised the Terms and Conditions for the licensing and operation of bingo events and the sale of breakopen tickets.

Of particular significance in 1984 was the implementation of the umbrella group concept for the distribution of gaming revenues. It is the intent of government that the ultimate responsibility for the fair and equitable distribution of revenues from Foundation-operated lottery activities will rest with the umbrella groups themselves.

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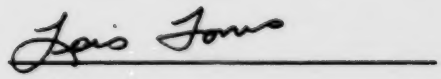
As presently defined there are eight umbrella organizations which encompass sports, the arts, multiculturalism, community services, heritage, museums and festivals, community education, and medical research. In addition to support for the umbrella groups, lotteries revenues will continue to offset the administrative costs of the United Way of Winnipeg.

The Board views the changes that were made in 1983-84 to be a positive step for lotteries in Manitoba. While it is recognized that there will always be some opposition to change, the Foundation is committed to increasing the public confidence in the operation of lotteries and gaming, and to ensuring a fair and equitable distribution of revenues.



Lois Toms
Chairperson

MLF

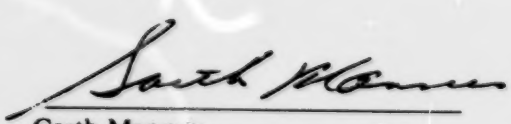
General Manager's Report

Manitoba Lotteries Foundation
Annual Report
1983-84

The 1983-84 fiscal year saw the most significant changes in Manitoba lotteries since the amendment to the Criminal Code in 1969. Expansion of the Manitoba Lotteries Foundation mandate necessitated a substantial increase in staff and resources. Staff of the Western Lottery-Manitoba Distributor Inc. were transferred to the Manitoba Lotteries Foundation January 1st, 1984 to continue the distribution of lottery products under the authority of the Foundation. At that same time the Foundation assumed the responsibility for the operation of casinos in Manitoba and contracted appropriate personnel to manage those events. Three successful casinos were held in the first three months of 1984 and plans made for the coming year. Among those commitments was the establishment of a secure physical location for the operation of casino events.

1983-84 was another financially successful year for lotteries in Manitoba, primarily due to the augmented sales of Lotto 6/49 and instant lottery games. Through these and other means, increased revenues were realized for the newly formed umbrella groups.

The Manitoba Lotteries Foundation and its staff have approached their new responsibilities with vigour. We are confident that gaming in Manitoba will exist in an environment of the highest integrity and an atmosphere of service to the community.



Garth Manness
General Manager

MLF

MANITOBA

PROVINCE OF MANITOBA
PROVINCIAL AUDITOR

THE MANITOBA LOTTERIES FOUNDATION

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the balance sheet of The Manitoba Lotteries Foundation as at March 31, 1984 and the statements of reserves and gaming fund, revenues and expenditures, net lottery sales revenue and casino account transactions for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Foundation as at March 31, 1984 and the results of its operations for the year then ended in accordance with the accounting policies described in note 2 to the financial statements.

W. K. Ziprick, C.A.,
Provincial Auditor.

November 20, 1984,
Winnipeg, Manitoba.

Exhibit A

THE MANITOBA LOTTERIES FOUNDATION

Balance Sheet

as at March 31, 1984

Assets		
Current assets:		
Cash on hand and in bank		$ 5,629,715
Held in trust by Minister of Finance		225,000
Accrued interest receivable		96,465
Accounts receivable:		
Western Canada Lottery Foundation	$ 2,172,406	
Trade	45,515	
Miscellaneous	12,828	2,230,749
Inventories, at cost		
Lottery tickets	$ 171,890	
Breakopen tickets	33,995	205,885
		8,387,814
Deposit on building		25,000
Fixed assets, at cost (Note 2(d)):		
Furniture and equipment	$ 152,943	
Leasehold improvements	36,246	
	189,189	
Less: Accumulated depreciation and amortization	54,961	134,228
Total assets		$ 8,547,042
Liabilities and Reserves		
Current liabilities:		
Accounts payable:		
Western Lottery—Manitoba Distributor Inc.	$ 202,568	
Province of Mantioba	168,444	
Trade	241,535	$ 612,547
Accrued payroll		33,353
Undisbursed levy (Note 7)		79,438
Casino account balances, Exhibit E		412,345
Gaming Fund—payable to approved organizations (Note 3)		2,031,613
		3,169,296
Reserves — Exhibit B (Note 2(f))		
General		2,000,000
Special (Note 9)		2,909,677
Equalization Fund		468,069
		5,377,746
Total liabilities and reserves		$ 8,547,042

Exhibit B

THE MANITOBA LOTTERIES FOUNDATION

Statement of Reserves and Gaming Fund

for the year ended March 31, 1984

	General	Special	Equalization Fund	Total	Gaming Fund
Balance, beginning of year (Note 4)	$ 1,911,988	$ —	$ —	$ 1,911,988	$ —
Add:					
Excess of revenues over expenditures — Exhibit C	3,501,498	2,050,179	—	5,551,677	4,680,694
Transfers— between reserves and Gaming Fund:					
(Note 2(f) (ii) and (iii))	(859,498)	859,498	468,069	468,069	(468,069)
	4,553,988	2,909,677	468,069	7,931,734	4,212,625
Deduct:					
Funds transferred to Province of Manitoba:					
Department of Culture, Heritage and Recreation	2,348,968	—	—	2,348,968	1,133,115
Department of Health	205,020	—	—	205,020	1,047,897
	2,553,988	—	—	2,553,988	2,181,012
Balance, end of year	$ 2,000,000	$ 2,909,677	$ 468,069	$ 5,377,746	$ 2,031,613

Exhibit C

THE MANITOBA LOTTERIES FOUNDATION

Statement of Revenues and Expenditures

for the year ended March 31, 1984

Revenues	
Net lottery sales revenue, Exhibit D	$ 10,446,193
Licence fees (Note 2 (b))	757,896
Interest and other income	224,006
	11,428,095
Expenditures	
Advertising and promotion	91,927
Board members' fees and expenses	22,133
Cartage	7,699
Commissions	9,242
Depreciation and amortization	41,516
Equipment rentals, repairs and maintenance	26,953
Insurance and other protective expenses	13,196
Office and storage space rentals	71,133
Postage, telephone and telex	29,934
Professional fees	129,821
Salaries	620,595
Sundry	6,038
Supplies and printing	49,326
Travel	76,211
	1,195,724
Excess of revenues over expenditures	$ 10,232,371
Allocation to Reserves and Gaming Fund, Exhibit B (Note 2(f) and (3))	
General	$ 3,501,498
Special	2,050,179
Gaming Fund	4,680,694
	$ 10,232,371

Exhibit D

THE MANITOBA LOTTERIES FOUNDATION

Statement of Net Lottery Sales Revenue

for the year ended March 31, 1984

Lottery Sales at Retail:		
Western Express		$ 11,190,205
Provincial		6,221,715
Super Loto		7,866,420
Instant		6,209,990
Lotto 6/49		13,987,855
		45,476,185
Cost of lottery sales — Western Canada Lottery Foundation		29,004,374
Net lottery sales, prior to distributions by agreements (Note 2(a))		16,471,811
Distributions by agreements:		
Revenue sharing, Western Lottery — Manitoba Distributor Inc. (Note 5)	$ 4,755,820	
Federal contribution (Note 6)	1,269,798	6,025,618
Net lottery sales revenue, Exhibit C		$ 10,446,193

Exhibit E

THE MANITOBA LOTTERIES FOUNDATION

Summmary Statement of Casino Account Transactions

for the year ended March 31, 1984

Revenues:		
Casino receipts		$ 727,194
Interest		3,835
		731,029
Expenditures:		
Advertising and promotion	$ 28,812	
Foundation overhead charge	13,966	
Special levy (Note 7)	79,438	
Other	5,149	
Payrolls, part-time personnel	153,128	
Rentals — facilities and equipment	34,856	
Supplies	3,335	318,684
Casino account balances (Note 2(c)), Exhibit A		$ 412,345

THE MANITOBA LOTTERIES FOUNDATION

Notes to the Financial Statements

for the year ended March 31, 1984

1. Establishment of the Foundation and Nature of Operations

Order-in-Council 282/83 dated March 16, 1983 proclaimed the Manitoba Lotteries Foundation Act. This Act provides for the establishment of The Manitoba Lotteries Foundation and repeals the Lotteries and Gaming Control Act resulting in the disestablishment of The Manitoba Lotteries and Gaming Control Commission and The Manitoba Lotteries and Gaming Licensing Board. The Manitoba Lotteries Foundation assumed all assets and liabilities of The Manitoba Lotteries and Gaming Control Commission and The Manitoba Lotteries and Gaming Licensing Board as of April 1, 1983, as indicated in note 3.

The Foundation is the Agent of the Government of Manitoba in the Western Canada Lottery Foundation (W.C.L.F.). W.C.L.F. is responsible for providing the lottery tickets, determining the winning tickets, paying out the prizes, as well as other administrative responsibilities as determined by the Provinces.

The Foundation is also responsible for the overall conduct and management of all lottery schemes in Manitoba, except for raffles with prizes under three thousand dollars. The Foundation may issue licences to organizations to hold lottery schemes, in which case, the Foundation carries out a supervisory and compliance control; or, the Foundation can operate a lottery scheme on behalf of a licensed or approved organization.

2. Significant Accounting Policies

(a) Government Lotteries

Lottery revenue is received from W.C.L.F. and represents the revenue the Foundation receives from government lottery sales in Manitoba less Manitoba's share of W.C.L.F.'s costs associated with these sales. Revenue is recognized on sales for which draws were completed in the fiscal year.

(b) Licence Fees

Licence fees are assessed to recover certain of the Foundation's operating costs pertaining to the conduct and management of lottery schemes in the Province. Licencing revenue is recognized on a cash receipts basis.

(c) Casino Accounts

The casino accounts reflect transactions pertaining to casino operations by the Foundation consisting of receipts, charges and remittances to approved organizations. A summary of the transactions is included in Exhibit E.

(d) **Fixed Assets**

Fixed assets are recorded at cost. Furnishings and non-automotive equipment are depreciated on a straight-line basis over 5 years. Automotive equipment is depreciated on a declining balance method at 30% per annum. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

(e) **Pension Costs**

The officers and employees of the Foundation are members of the Civil Service of the Government of Manitoba, and they contribute to and are pensionable under the Civil Service Superannuation Fund.

In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Foundation contributes 50% of the pension disbursement made to retired employees. Such payments are charged to operations as incurred and provision is not made in the accounts to fund current or past service obligations to the Superannuation Fund. There is no actuarial valuation of the unfunded liability as yet but is in the process of being established.

(f) **Reserves**

The proceeds realized by the Foundation from time to time from the conduct and management of lottery schemes, less the costs of conducting and managing the lottery schemes and administering the Manitoba Lotteries Foundation Act, are held in trust to be used and applied as the Lieutenant Governor in Council directs or in accordance with general guidelines prescribed by the Lieutenant Governor in Council.

The reserves as stated in Exhibit B reflect the allocation of the proceeds.

(i) **General Reserve**

The opening balance was realized when the Foundation assumed all assets and liabilities of the Manitoba Lotteries and Gaming Control Commission.

The General Reserve retained the net proceeds from operations to December 31, 1983, except for net revenue and related interest earnings from Lotto 6/49. The reserve, as at March 31, 1984, reflects $2,000,000 in retained income for working capital and investments in fixed assets. The available funds in excess of this requirement have been paid to designated departments of the Province of Manitoba during the year.

(ii) **Special Reserve**

This Reserve reflects the net revenue and related interest earnings from Lotto 6/49 to December 31, 1983 in the amount of $2,050,179. A further allocation of $859,498 was made to this Reserve, which represents the accumulated net revenue from Lotto 6/49 existing as at April 1, 1983.

The Special Reserve is a provision for special projects and will be distributed as authorized by Cabinet.

(iii) **Equalization Fund**

This Fund receives a 10% allocation of the net proceeds credited to the Gaming Fund based on a sharing formula approved by order-in-council. The purpose of this Fund is to provide for adjustments which may be necessary, based on historical relationships between sharing groups in the Gaming Fund and any other uses at the sole discretion of the Government.

3. **Gaming Fund**

The Gaming Fund has been credited with the net proceeds from operations subsequent to December 31, 1983, in the amount of $4,680,694.

The available proceeds of this Fund are payable and/or transferable to charitable community organizations through their designated umbrella groups, to designated departments of the Province of Manitoba and to the Equalization Fund based on a sharing formula approved by order-in-council.

4. **Transfer of Assets and Liabilities to the Foundation**

The following listing summarizes the assets and liabilities assumed by the Foundation on its establishment, as outlined in note 1.

Cash	$ 325,527
Receivables and accrued interest	2,703,521
Net book value of fixed assets	26,465
	3,055,513
Payables	1,143,525
General reserve, Exhibit B	$ 1,911,988

5. **Western Lottery-Manitoba Distributor Inc.**

The Manitoba Lotteries and Gaming Control Commission entered into an operating agreement with the Western Lottery - Manitoba Distributor Inc. as authorized by Order-in-Council 634/80 dated June 23, 1980. This agreement provided for the net revenues from lottery sales of the Commission and of the Western Lottery - Manitoba Distributor Inc. to be apportioned 49% and 51% respectively. All net revenues were being shared on that basis except for net revenues from the Lotto 6/49 lottery product.

The Foundation and the Distributor continued the above arrangement until December 31, 1983, at which time, the Foundation itself undertook the sale, marketing and distribution of lottery products through authorized retailers.

6. **Federal Contribution**

Effective January 1, 1980, the Government of Canada terminated its involvement in lotteries. In return, the ten Provinces are to contribute an annual sum of $24,000,000, adjusted for inflation, to the Federal Government. The Province of Manitoba's share for the 1984 fiscal year is $1,269,798.

7. **Undisbursed Levy**

A special levy was assessed on one casino event payable to the Department of Culture, Heritage and Recreation, in support of charitable heritage organizations.

8. **Commitments and Contingent Liability**

(a) The following contractual liabilities exist as at March 31, 1984:

Operating lease commitments for facilities and equipment amount to $244,291.

The minimum rental payments on these leases for subsequent fiscal years are:

March 31, 1985	$ 103,505
March 31, 1986	84,745
March 31, 1987	54,250
March 31, 1988	1,791
	$ 244,291

(b) The following contingent liability exists as at March 31, 1984:

An action, naming the Foundation, the Government of Manitoba and the Minister Responsible for the Foundation, claims compensation for damages in an unspecified amount, in respect to losses arising from the Government's decision to operate, manage and control certain specified bingo halls in the Province of Manitoba.

Subsequent to the year end a second suit of identical nature, as the above suit, has been brought against the Foundation and the Government of Manitoba.

No provision has been made in the accounts of the Foundation in respect to either claim as at March 31, 1984.

9. **Subsequent Events**

Subsequent to the year end the Cabinet has approved capital projects to be paid from the Special Reserve in the amount of $1,442,500. This amount will be reimbursed to the Special Reserve out of earnings over the next five years.

THE MANITOBA LOTTERIES FOUNDATION

Lottery Sales at Retail

for the year ended March 31, 1984

	1984	1983
Lottery Sales at Retail:		
Western Express	$ 11,190,205	$ 12,394,790
Provincial	6,221,715	6,867,135
Super Loto	7,866,420	7,918,480
Instant	6,209,990	6,000,000
Lotto 6/49	13,987,855	2,681,290
	$ 45,476,185	$ 35,861,695

MLF